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The President of the Senate

The Speaker of the House of Representatives

This report provides information on some of the major performance and management challenges that face the Department of the Interior and limit its ability to carry out its mission. It also provides information on corrective actions that Interior has taken or plans to take, as well as further actions that are needed. For many years we have reported problems and weaknesses in the management of Interior's programs. These problems are the result of deficiencies in information management, human capital management, organizational controls that provide oversight and accountability, and performance management. Some of these deficiencies cut across Interior's program areas.

This report is part of a special series entitled the *Performance and Accountability Series: Major Challenges and Program Risks*. The series contains separate reports on 24 agencies as well as a governmentwide report that draws from the agency-specific reports to identify the performance and accountability challenges requiring attention across the federal government. As a companion volume to this series, GAO is issuing an update to those government operations and programs that its work has identified as "high risk" because of their greater vulnerabilities to waste, fraud, abuse, and mismanagement.

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Copies of this report series are being sent to the President, the congressional leadership, all other Members of the Congress, the Director of the Office of Management and Budget, and the heads of major departments and agencies.

David M. Walker
Comptroller General of
the United States

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Overview

The Department of the Interior has jurisdiction over about 450 million acres of land—about one-fifth of the total U.S. land mass—and about 1.5 billion acres of the Outer Continental Shelf. As the guardian of these resources, the Department is entrusted to preserve the nation’s most awe-inspiring landscapes, such as the wild beauty of the Grand Canyon, Yosemite, and Denali national parks; our most historic places, like Independence Hall and the Gettysburg battlefield; and such revered national icons as the Statue of Liberty and the Washington Monument. At the same time, Interior is to provide for the environmentally sound production of oil, gas, minerals, and other resources found on the nation’s public lands; honor the nation’s obligations to American Indians and native Alaskans; protect habitat to sustain fish and wildlife; help manage water resources in the western states; and provide scientific and technical information to allow for sound decision-making about resources. To meet its responsibilities, Interior has been appropriated \$6 billion to \$7 billion annually in recent years. With these resources, Interior employs about 66,000 people in eight major agencies and bureaus at over 4,000 sites around the country.

Interior’s management of this vast federal estate is largely characterized by the continual struggle to balance the demands for greater use of its resources with the need to conserve and protect them for the benefit of future generations. Many—including Interior’s Inspector General, GAO, and others—have documented management problems facing the Department and have made recommendations to improve its agencies and programs. In some cases, Interior has made improvements, but in others, progress has been slow. As a result, major performance and accountability challenges remain.

**Performance and Accountability
Challenges**

- National parks management needs to be improved
- Management problems persist in Indian programs
- Ecosystem restoration could be hindered by inadequate management
- Interior faces additional challenges in managing its land base

The Challenges

National Parks Management Needs to be Improved

The National Park Service, with almost 300 million visitors to its national park system annually, provides the public with some of the best recreational opportunities in the country. In recent years, as demands for its services have increased, so have the budgets of the Park Service and the number of units in the national park system. Among other things, these trends have placed new strains on the National Park Service's ability to meet visitors' recreational needs in a safe and enjoyable manner while at the same time protecting, preserving, and maintaining the natural, cultural, and historic treasures it is responsible for. While the agency acknowledges its shortcomings in many areas and is trying to develop fresh approaches to addressing its considerable needs, our work has shown that it is falling short in several significant areas: (1) information management---the systems used to manage the natural and cultural resources entrusted to its care; (2) financial management---the maintenance program established to properly care for parks and their supporting infrastructure, which are essential to their continued safe use and enjoyment; (3) organizational control---improving the accountability of park managers; (4) human capital and acquisition management---within the concessions program, which provides services to many park visitors; and (5) performance management---in structural fire safety activities directed at protecting the public and employees from undue hazards or risks.

Management Problems Persist in Interior's Indian Programs

The Department of the Interior manages over \$3 billion in Indian trust funds and over \$1.8 billion in budgeted resources for tribes. However, the Department cannot assure trust account holders that their balances are accurate or that their assets are being properly managed. In our last report on the Department's management challenges, we discussed the problems that plague the trust fund program and, although some improvements have been made, the situation has not changed significantly. Our work has shown that the Department continues to have problems with: (1) information management—the systems used to manage trust funds; and (2) financial management—the ability of the Department to account for Indian trust funds and funds used to pay tribal insurance claims. In addition, the Department continues to struggle with budget formulation problems that impede its tribal self-determination policy—a national policy providing for tribal participation in and management of federal Indian programs. Specifically, the Bureau of Indian Affairs, which is the primary federal agency charged with providing tribal services, needs to ensure that the \$700 million it provides directly to tribes meet their most pressing needs. Furthermore, the Department and the Bureau need to work with the Congress on shortfalls in budgets for tribal self-determination contracts.

Ecosystem Restoration Could Be Hindered by Inadequate Management

A variety of management problems hinder the Department's ability to effectively direct its efforts to maintain healthy natural systems, including restoring significant ecosystems, such as the Florida Everglades and returning fire to the forested ecosystems of the western states. These ecosystem management projects focus on ecological, scientific, economic, and social factors that extend beyond the administrative boundaries of the Department's agencies and rely on collaboration with other entities such as other federal agencies, states, and private landowners. Management problems hindering this effort include: (1) strategic planning—to help focus the restoration efforts and the coordination of the multiple entities participating in the efforts; (2) organizational alignment and control—managing across agency boundaries and coordinating with multiple entities to plan and implement ecosystem projects; and (3) human capital management—the replacement of experienced personnel, including federal firefighters.

Interior Faces Additional Challenges Including Managing Its Expanding Land Base

The Department oversees transactions to exchange, acquire, or dispose of lands in the federal land base. It now manages about 450 million acres of federal lands for such purposes as parks, wildlife refuges, recreational areas, forests, and historical and cultural sites. The Department currently does not have sound management of its land transactions as a strategic or a performance goal. However, we believe that the number of transactions has the potential to grow under the Department's new Lands Legacy Initiative and the recently passed Federal Land Transaction Facilitation Act, and that they will become increasingly difficult to manage and will present a significant management challenge. In the last few years, the Department, particularly the Bureau of Land Management, has had difficulty managing land transactions. Specifically, problems have included: (1) financial management—ensuring that the values of the lands being exchanged are equal, as required by the Federal Lands Policy and Management Act; and (2) budget formulation and execution—budgeting for and reporting increased funding needs for the operation and maintenance of newly acquired lands.

Progress and Next Steps

Interior has acknowledged the need to address many of these challenges, and for the most part, has begun taking actions to do so. These management challenges require the Department and its agencies to make fundamental improvements in areas such as strategic planning, human capital, organizational alignment and control, and financial management and internal controls. Actions that the Department is taking to meet the Government Performance and Results Act will move the Department and its agencies in the right direction. However, much remains to be done, and it is still too early to determine if some corrective actions that have been undertaken will be effective.

In order to ensure that Interior follows through on its efforts to deal with the major performance and management challenges we and others identified, the Congress needs to monitor the progress made on them as reported in the Department's and agencies' annual performance plans and reports. In some instances, such as the need to improve accounting for Indian trust funds, the management problems are long-standing, and it will take several years to demonstrate improvement. In other cases, such as funding problems for Indian self-determination contracts,

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the Congress may need to pursue legislative remedies as well as work with the Department and its agencies to resolve the management challenge.

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Major Performance and Accountability Issues

As the caretaker of the nation's most precious natural and cultural treasures and steward of trust responsibilities to American Indians and native Alaskans, the Department of the Interior helps define the nature and spirit of our common national heritage. In this capacity, Interior's programs and activities touch the lives of Americans and the world community in many different ways. The public lands, parks, and waterways under Interior's jurisdiction provide recreational opportunities for over 400 million visitors annually. Commodities such as oil, natural gas, minerals, and timber—with a market value of over \$20 billion—are extracted from land and water resources under the Department's purview each year. In addition, Interior provides educational, social, and other services to more than 550 Indian tribes.

The overarching management challenge Interior faces is striking a balance between its two basic mandates—to protect and conserve resources for the benefit of future generations while at the same time accommodating the demands for their greater use and consumption. To achieve its basic mandates, the Department has developed strategic goals that include protecting the environment and preserving our nation's natural and cultural resources; providing recreation opportunities for America; managing natural resources for a healthy environment and strong economy; and meeting trust responsibilities to Indian tribes and commitments to island communities. Each year, the Department establishes performance outcomes to achieve these strategic goals. In recent years, our work has identified a number of management challenges facing Interior that limit its progress toward achieving some of these strategic goals. Many of these challenges are the result of Interior's agencies trying to manage the difficult trade-offs inherent in achieving its two basic mandates. However, in today's climate of smaller federal government, the need to reexamine past approaches to help achieve increased effectiveness and efficiency is imperative. Our work has identified a number of opportunities for Interior to better accomplish this imperative.

National Parks Management Needs to be Improved

As the caretaker of the nation's most treasured natural, historic, and cultural resources, the Department, and specifically the National Park Service, have strategic goals of protecting and preserving these resources and, at the same time, providing the public with safe and enjoyable visits. Our work shows that the Park Service faces several significant management challenges

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that hinder its ability to achieve these goals. First, the Park Service needs to give a higher priority to the development of better scientific information about the condition of its resources so it can ensure that its planning and funding process address the most pressing needs. Second, the Service needs to develop more accurate data on its backlog of maintenance problems so it can better prioritize projects and budget accordingly. Third, the accountability of park managers needs to be improved. Accountability for results is especially important for an agency like the Park Service that lets individual park managers make decisions about priorities and budgets that may or may not be consistent with overall departmental and agency priorities and goals. Fourth, problems persist in the management of the concessions program. Agency concession specialists and contracting staff do not have adequate qualifications and training and the Service still has out-of-date practices for handling its chronic backlog of expired contracts. Finally, the Service needs to improve the management of its structural fire safety program for the over 30,000 structures it has responsibility for including hotels, motels, cabins, visitor centers, and historic buildings. Visitor and employee safety is a high priority within the Department and the Service but park managers have not emphasized this program in their operating and budget priorities.

The Condition of Many Park Service Resources Is Not Known

A fundamental part of the Park Service's mission is to be the caretaker of many of this nation's most precious natural and cultural resources, ranging from the fragile ecosystems of Arches National Park in Utah to the historic structures of Philadelphia's Independence Hall and the granite faces of Mount Rushmore in South Dakota. Our work has shown that although the Park Service acknowledges, and its policies emphasize, the importance of managing parks on the basis of sound scientific information about resources, today such information management is seriously deficient. Frequently, baseline information about natural and cultural resources is incomplete or nonexistent, making it difficult for park managers to have clear knowledge about the condition the resources are in and whether the condition of those resources is deteriorating, improving, or staying the same. At the same time, many of these park resources face significant threats, ranging from air pollution, to vandalism, to the development of nearby land. However, even when those threats are known, the Park Service has limited scientific knowledge about the severity of them and their impact on affected resources.

Figure 1: Conditions at Restored and Unrestored Buildings, Ellis Island, New York

According to the Park Service, these problems exist because of limited funds and other competing needs that must be addressed. The agency has made initial efforts to improve the situation, however, funds are still limited and other needs still exist. As a result, relatively limited progress has been made to correct this shortcoming. There is no doubt that it will cost

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money to make more substantial progress in improving the scientific knowledge base about park resources. Dealing with this challenge will require the Park Service, the administration, and the Congress to make difficult choices involving how parks are managed and their budgets formulated. However, without addressing this challenge, the Park Service will not have the information it needs to (1) shift existing resources among competing priorities to accomplish the goals and objectives it has envisioned; (2) rank priorities so that the most pressing issues receive the most attention; (3) link the planning process directly to budget decisions to have a greater impact on the allocation of new limited resources; and (4) measure program results aimed at preserving and protecting the resources entrusted to it.

The Extent of Park Service Maintenance Problems Is Not Known

In addition to its need for better scientific information about the condition of its key resources, Interior also needs to maintain these resources. The Park Service has about 16,000 permanent structures, 8,000 miles of roads, 1,500 bridges, 5,385 housing units, approximately 1,500 water and wastewater systems, 200 radio systems, more than 400 dams, and more than 200 solid waste operations. These facilities include numerous cultural historic buildings and structures, complex utility systems, and an extensive network of roads and trails that must be maintained at an operational level that ensures continued protection, preservation, and serviceability.

The Park Service's estimate of its maintenance backlog for these facilities does not accurately reflect the scope of the maintenance needs of the park system. The Park Service estimated that, as of January 1997, its deferred maintenance backlog for these assets was about \$6.1 billion. Most of this amount—about \$5.6 billion, or 92 percent—was for construction projects, which, for the most part, are aimed at correcting maintenance problems at existing facilities. However, we found that over 21 percent of the Park Services estimated deferred maintenance was for construction of new facilities such as \$24 million for a bike path at the Colonial National Historic Park in Virginia and \$16.6 million to replace a visitor center and construct a park entrance at Acadia National Park in Maine. While we do not question the need for these facilities, including these kinds of new construction projects that expand or upgrade park facilities in its estimate of the maintenance backlog is not appropriate because such projects go beyond what could reasonably be viewed as maintenance.

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The Park Service took action to help address the maintenance backlog problem in response to several requirements including financial management changes prompted by the 1993 Government Performance and Results Act. In addition, the Department and the Park Service took other initiatives to better manage the maintenance program such as developing a 5-year plan for funding priority projects and evaluating alternative methods to maintain historic structures. However, a year after our report on this issue, Interior's Inspector General found that the Park Service's September 1998 estimate of \$3.6 billion for deferred maintenance was not developed in accordance with Federal accounting standards and Department guidance. As a result, the Park Service still has financial management problems because it had little assurance that its deferred maintenance accounting and budget data were current, complete, and verifiable. According to the Inspector General, this condition occurred because the Park Service did not (1) conduct all needed assessments to identify asset conditions, (2) document its estimated deferred maintenance costs, and (3) establish adequate controls to ensure compliance with Federal and departmental deferred maintenance guidance. As a result, the Park Service may not be able to meet Federal financial accounting standards in future years, when deferred maintenance data must be reliable for financial statements reporting purposes, and it did not have reliable data to support its fiscal year 2000 budget request for deferred maintenance funding.

Accountability of Park Managers Needs Improvement

Historically, Interior has been a highly decentralized agency. As a result, Interior has, for the most part, allowed its component agencies to develop their own systems and processes for managing their programs. Within the Park Service, decisions about spending and operating priorities associated with individual parks are delegated to park managers. The most significant limitation associated with the Park Service's decentralized priority-setting and accountability systems is that they lack a focus on results achieved with the funds spent. In the past, our work has shown that regional or headquarters staff rarely, if ever, discussed with park managers operating priorities or the results accomplished with the funds provided. Key components needed to hold park managers accountable, such as processes for setting results-oriented expectations or monitoring outcomes, were missing. No expectations were established for the goals that are to be achieved in the parks, and there was no process for measuring progress toward these goals. As a result, the agency lacked a means to monitor progress toward achieving its goals and to hold park managers accountable for the results of park operations. Accountability for results is especially important for an agency like the Park Service that sets

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priorities and develops budgets at the park unit level. Individual park managers can make decisions about park operations that may or may not be consistent with the agency's mission, priorities, or goals.

The Park Service has implemented the requirements of GPRA. It now has a strategic plan that sets forth its mission, long-term goals, and means of measuring progress toward those goals. Furthermore, individual parks are expected to establish the strategic and annual performance plans needed to implement the agency's strategic plan. Because the Park Service is decentralized and provides board discretion to park managers, it faces significant challenges in implementing a top-down accountability system such as that called for by GPRA. To fully integrate GPRA's management approach, Park Service managers must begin to define, in measurable terms, how activities at their park contribute toward achieving the service-wide goals established in the Park Service's strategic plan. Sustained congressional attention to the agencies' implementation of GPRA would underscore the importance that the Congress attaches to the success of this process and improve the accountability of park managers.

Management Problems Continue to Plague the Concessions Program

Concessionaires play a critical role in providing services to many of the almost 300 million visitors to the national park system each year. Concessionaires are private businesses that operate under contracts with the National Park Service to provide facilities and services, such as lodging, food, merchandising, marinas, and various guided services. In 1998, the latest year for which data are available, 630 concessionaires provided visitor services in park units that grossed about \$765 million in revenues.

For many years, concerns have been raised by the Congress, GAO, Interior's Office of the Inspector General, and Park Service staff about the need for better management of the agency's concession program. In March 2000, GAO reported that there are basic problems with the Park Service's overall approach to managing the concessions program. Specifically, the management problems center on three areas: (1) human capital issues including inadequate qualifications and training of the agency's concession specialists and concessions contracting staff, (2) acquisition management issues including the agency's out-of-date practices in handling its contracting workload and chronic backlog of expired contracts, and (3) organizational control issues including a lack of accountability within the concessions program. Because of these

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management problems, the Park Service frequently has difficulty managing the performance of its concessionaires to ensure a consistent level of quality and safety in the services and facilities they provide.

GAO believes that the Park Service has two principal options for dealing with the problems identified in its management of the concessions program: (1) use better hiring and training practices to professionalize its workforce and thus obtain better business and contracting expertise or (2) contracting out to acquire the needed business and contracting expertise. These two options are not mutually exclusive in that the agency could contract for expertise in certain functions while developing expertise in-house for other functions. Both options require that the agency better manage its human capital to ensure it selects, trains, develops, and manages concession staff who have the skills needed to bring about improvements in the program.

Interior generally agrees with these proposals and has indicated that the Park Service is already taking actions to address some of the concessions program management problems—such as moving toward more performance-based contracting. As of October 2000, the Park Service is also working to issue new concessions regulations. GAO believes that these actions are a positive step and, if completed and implemented, will help improve the program.

The Park Service Is Not Meeting Safety Responsibilities in Many of Its Structures

The Park Service is responsible for ensuring that the buildings and artifacts entrusted to it are protected and that the people who visit or work in them are safe from undue hazards or risks. Today, the Park Service is the nation's steward for over 30,000 structures and over 80 million artifacts. These structures include hotels; motels; cabins; visitor centers; interpretative centers; and historic buildings, such as many former presidents' homes. However, structural fire safety efforts at national parks are not effective. The Park Service's structural fire activities lack many of the basic elements needed for an effective fire safety effort. These gaps include such fundamental things as inadequate fire training for employees, inadequate or nonexistent fire inspections, and—for many buildings—inadequate or nonexistent fire detection or suppression systems. These situations led to many fire safety hazards. As a result of these conditions, the safety of park visitors, employees, buildings, and artifacts are being jeopardized and are vulnerable to fire that could cause damage, destruction, severe injury, and even the loss of life.

Figure 2: Boxes Impeding Effectiveness of Fire Sprinkler in Storage Area of Ford's National Theatre's, Washington, D.C.

The parks lack an effective structural fire safety effort because the Park Service (1) has not fully specified the minimum standards individual parks must meet, and (2) has placed little emphasis on structural fire safety. As a result, managers at parks gave this aspect of the operations a low priority. This low priority is inconsistent with the Park Service's strategic goals and its assertions that health and safety issues are a top agency priority. The Park Service is aware that there are major weaknesses in its structural fire safety effort and has begun a number of initiatives to address them. It is unclear, however, whether the Park Service will follow through on these initiatives to ensure that an effective structural fire safety program is developed and implemented.

The Park Service also offers visitors to our national parks a variety of overnight lodging accommodations including deluxe, mid-scale, and economy rooms. In some cases, these are the only lodging facilities located in or near the park. Concessionaires manage the operation of these lodging facilities under contract with the Park Service. Generally, when evaluated by common industry standards, we found the condition of lodging facilities varied among parks and within parks. For example, facilities like those at Bryce Canyon and Zion National Park in Utah

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were very good; however, other facilities such as some structures at Stovepipe Wells in Death Valley National Park in California needed considerable renovation. Although the Park Service has standards for lodging facilities located in national parks, similar industry standards impose additional requirements, including more safety requirements. For example, smoke detectors, dead-bolt locks, and door viewports are not required by Park Service standards. Although most rooms we inspected had safety and security devices, some rooms did not and in other rooms they were nonfunctioning.

The Department acknowledged the need to repair, rehabilitate, and upgrade some of its lodging facilities and stated that these situations will be addressed as funding becomes available. For example, since our report was issued, facilities at Stovepipe Wells in Death Valley National Park were significantly improved, however, more remains to be done. In addition, the Park Service is working to revise its existing lodging standards with continuing input from the hotel industry. The revised standards are to include additional safety requirements. However, the Park Service has been attempting to complete the revision of these standards since 1998 and as of October 2000, the new standards have not yet been finalized. The Congress may wish to monitor the agency's progress in this and the structural fire safety area.

Management Problems in Indian Trust Programs Persist

As the department responsible for administering the federal government's trust responsibilities to tribes and individual Indians, Interior manages \$3 billion in Indian trust funds and provides more than \$700 million annually for basic tribal services such as social services, police, and natural resource management. Last year, we reported on Interior's continued poor management of these trust funds and programs, and this situation has not markedly improved. Despite Interior's efforts, inadequate accounting and information systems, poor recordkeeping and internal controls, and other weaknesses prevent the Department from assuring funds are properly managed. In addition, management issues impede the tribes' progress toward self-determination, a policy that has existed since the 1970s that advocates greater independence of tribes.

Indian Trust Funds and Assets Need to Be More Effectively Managed

The Secretary of the Interior is responsible for administering the government's trust responsibilities to tribes and Indians, including about \$3 billion in Indian trust funds and about 54 million acres of Indian lands. Management of the Indian trust funds and assets has long been characterized by inadequate financial management, such as poor accounting and information systems; untrained and inexperienced staff; backlogs in appraisals, determinations of ownership, and recordkeeping; the lack of a master lease file and an accounts receivable system; inadequate written policies and procedures; and poor internal controls. As a result, account holders do not have assurance that their account balances are accurate and that their assets are being managed properly. In April 1998, Interior began a major initiative to solve these problems. The initiative has 11 subprojects including, among other things, correcting administrative records for trust accounts, clarifying land title and resource management information, eliminating probate backlogs, and reviewing and changing the appraisal system for trust lands.

Since last year, we have examined one of these subprojects, the acquisition of a new system to manage trust assets. We found that Interior has begun taking key steps necessary to instill the processes, practices, and discipline needed to successfully guide the acquisition. Still, major challenges and risks need to be addressed by the Department. The responsible officials now recognize the importance of disciplined system acquisition, development, and testing processes. Interior has adopted a life cycle model for the system, which defines the management expectations of the system from conception to deployment and support; developed several plans and policies to enhance system management; strengthened test processes for the system; and begun developing a systems architecture. However, Interior has not yet reengineered business processes which the system will support; has not cleaned up thousands of inaccurate, incomplete, or outdated trust fund records; and has not established policies and procedures for trust fund management. As a result, much remains to be done in order to ensure that the system will operate efficiently and effectively.

Management Issues Impede Progress Toward Self-Determination

The Bureau of Indian Affairs (BIA) is the primary agency of the federal government charged with the responsibility to implement federal Indian policy and to administer the federal trust responsibility for 1.4 million American Indians and native Alaskans. The BIA provides basic services such as social services, adult vocational training, child welfare services, and natural

resources management to tribes throughout the United States. The nation's policy toward Indians is to encourage self-determination, that is, tribal participation in and management of programs that have been previously administered on their behalf by the federal government. The 556 federally recognized tribes can influence the programs that affect them in two ways. First, tribes can work with the BIA to allocate a portion of the bureau's budget to programs that the tribes choose. The funds, which amount to about half of BIA's budget, are distributed by BIA through a process called tribal priority allocations. Once the funds are distributed to tribes, the tribes work with BIA to allocate the funds depending on the tribes' priorities. Second, under the act, tribes can establish self-determination contracts to manage some of the programs that BIA has traditionally managed on their behalf.

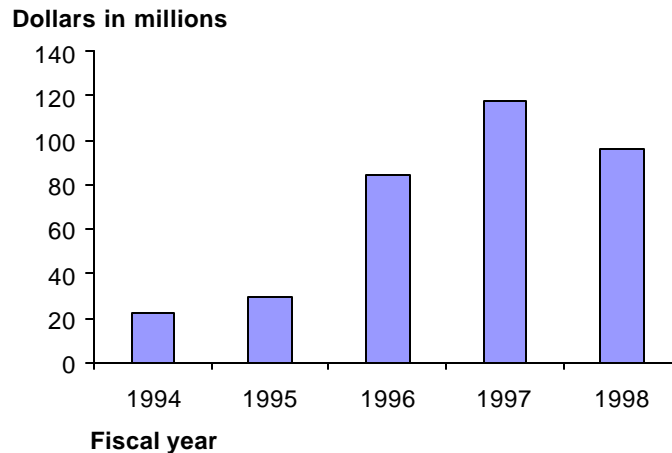
BIA's budget formulation and execution process, specifically its distribution of tribal priority allocation funds, is not responsive to changes in the relative needs of the tribes and there is no assurance that the funds are effectively targeting the most pressing needs among tribes. In 1998, about \$800 million was allocated with the participation of individual tribes, and in 1999, the amount allocated was about \$700 million. We found that BIA's distribution to each tribe, however, is based largely on historical factors, that is, the amount available to a tribe is generally the same as the previous year's amount. This method does not consider a tribe's needs. In response to our 1999 report, the Congress directed the BIA to develop alternative methods to distribute tribal priority allocations. In 1999, BIA produced a task force report on tribal priority

funds, which acknowledged that funding inequities exist among the tribes but concluded that the current distribution of funds should not be redistributed to address those inequities. Instead, BIA concluded that future increases in funding should be targeted at tribes that need greater funding. Based on our work and that of the task force, to accomplish this, BIA would need to develop criteria for determining tribes' needs and to establish what factors will determine funding levels. BIA has not done this, and until it does, funding inequities will persist.

To compound the difficulty tribes have in receiving funds for self-determination, tribes did not receive adequate funds to pay for the costs to support Indian self-determination contracts. In 1999, over half of BIA's budget, including some tribal priority funds, was provided to tribes through contracts. Tribes receive funds to help pay for their indirect and administrative costs for

contracts, but total shortfalls in fiscal year 1998 reached \$95 million. Tribes also faced shortfalls in fiscal years 1994 through 1997, as shown in figure 1.¹

Figure 3: Contract Support Cost Shortfalls For Fiscal Years 1994 Through 1998



According to tribes, because of these shortfalls, they have to reduce services to tribal members or use their own resources, which precludes the use of those resources to develop their tribal businesses or supplement services. Most significantly, because of the shortfalls, Congress placed a moratorium on contracting for BIA and Indian Health Service programs in 1998 and 1999. Although Congress did not implement a moratorium in fiscal year 2000, one was contemplated, and this measure will likely be considered in future years until a solution to shortfalls is found. This year, the Congress considered an alternative funding mechanism for contract support costs, but did not pass legislation. Without resolution, this matter will continue to impede tribal contracting of programs.

Contracting tribes also face difficulties in insuring and paying for liabilities of their contracted programs because of uncertainties in their coverage for tort claims, or instances in which individuals are injured by the wrongful or negligent acts of tribal employees for contracted programs. The Congress extended tort claim coverage to tribes in the 1980s, to prevent the tribes from using program funds to pay for such coverage. However, several legal issues make it difficult for liability cases to be resolved. For example, a legal issue has arisen about whether the law of the state or the tribe will be used to resolve claims. BIA reported this year that tribes

¹Both BIA and Indian Health Service Funds, which are included in the Department of the Interior appropriations.

continue to carry private insurance, in part because of uncertainties in whether or not the government will cover claims involving tribal contractors. BIA recommended that inconsistencies in interpreting the tort claims act could be clarified with an online claims registry. We recommended that the federal agencies determine if duplicative private liability insurance exists and provide the claims to the insurance companies. No action has yet been taken on these recommendations.

None of these issues will be resolved easily or within a short timeframe. Interior will need to continue its efforts to resolve deficiencies with its management of Indian trust funds and to place a high priority in solving these problems. In addition, in response to reports from BIA, the National Congress of American Indians, and GAO, in the last few years the Congress has been holding hearings and reform legislation has been proposed to address some of these issues. Indian self-determination will continue to be at the forefront of annual appropriations' debates as will the long-term debate over the course of federal Indian policy.

Ecosystem Restoration Could Be Hindered by Inadequate Management

One of Interior's major strategic goals is to restore and maintain healthy natural systems. This effort includes the restoration of significant national ecosystems such as the Florida Everglades and the reintroduction of fire into forested ecosystems located in the western states. The Department has adopted an ecosystem management approach to protect and maintain healthy ecological systems. Ecosystem management focuses on ecological, scientific, economic, and social factors that often extend beyond the administrative boundaries of the Department's agencies and other entities. Ecosystem management depends on the collaboration of the Department and its agencies with each other and other entities such as states and private landowners to develop a common vision for the future conditions of the lands, waters, habitat and overall ecosystem. Currently, the Department has several large ecosystem management projects underway, including the Wildland Fire Management Plan; the restoration of the South Florida ecosystem, including the Everglades; the Interior Columbia Basin Ecosystem Management Project; and the Northwest Forest Plan.

Since 1995, the Departments of the Interior and Agriculture, which administers the Forest Service, have increasingly sought to return fire to the ecosystems of the mountainous western states, yet management problems have hindered this effort. One of the most extensive and

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serious problems in the forests in the western states is the accumulation of vegetation that provides fuels for large, intense, uncontrollable, and destructive wildfires. For example, the Cerro Grande fire in May 2000—in which a prescribed burn with the purpose of reducing fuels got out of control and burned 48,000 acres and many homes—illustrates the danger of increased fuels. This year, the need for fuels reduction was reemphasized after huge wildfires in the Western United States burned 6.8 million acres or twice the 10-year average. The departments have developed fuels reduction plans in response to this year's fire season, yet, neither department has developed a strategy for targeting fuel reduction efforts and to do so without causing short-term damage to ecosystems, such as the disruption that would be caused by building roads to provide for thinning and fuels reduction.

The Cerro Grande fire highlights management problems in the program to use prescribed burns to restore the forested ecosystems of the west and raises concerns about the readiness of the federal land management agencies to support and administer prescribed burns. The management problems involve procedural gaps or a lack of clarity about how policies are to be implemented. For example, the plan for the prescribed burn was not reviewed by someone with fire experience and sufficient resources for fighting the fire once it got out of control were not readily available. The agencies' action plans in response to this year's fire season request almost \$1 billion more in funding, but do not clarify how the agencies plan to resolve these management problems. We have also identified potential human capital concerns related to personnel shortages that could cause problems for the agencies' firefighting abilities in response to catastrophic events such as Cerro Grande. A cadre of experienced federal firefighters will be leaving the workforce in the next few years. Replacements are difficult to find for several reasons, including an unwillingness on the part of some employees to continue taking on the training required and risks of the job.

Management problems could also hinder one of the largest environmental restoration initiatives undertaken by the Department—the restoration of the South Florida ecosystem. The restoration seeks, over at least 25 years, to increase the quantity of water and improve the quality of water, which is now being drained or polluted, in the ecosystem. The restoration initiative also seeks to increase and restore natural habitats and to make urban and natural systems more compatible. Because the ecosystem is 18,000 square miles and includes many jurisdictions, the restoration involves coordination and collaboration among many entities such as federal, state and local governments, Indian tribes, and private groups to ensure the success of its various ecosystem management efforts. Interior, as chair of a multi-agency task force on the restoration, facilitates

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and coordinates the efforts of the multiple entities involved. The task force has established three goals for the restoration, but has not—until this year—developed a strategic plan for how the restoration will be accomplished. Congress, which requested the development of the strategic plan in response to concerns raised in one of our reports, has also requested that we review the plan.

In addition, the task force has yet to complete other actions that would improve the organizational alignment and control of the restoration initiative. Specifically, it has not completed important coordinating activities, such as finalizing a process for resolving conflicts among those participating in the restoration initiative or developing a plan for multiple land acquisition activities. Without such coordination, individual restoration projects and the overall progress of the restoration could be delayed. For example, two critical projects needed to restore the South Florida ecosystem have not been completed, although each of the projects have been underway since the early 1990s. One project that would send additional water through the Everglades National Park has not been completed because of delays in land acquisition and disagreements among the multiple entities participating in the restoration about whether particular lands are needed. A major component of another project has been built but not operated because it has not received appropriate state water quality permits and because the parties involved cannot reach agreement on the level of water to be maintained in some of the canals near Everglades National Park.

Applying the ecosystem management approach provides the solution to some management challenges facing the Department, but presents new difficulties. The Northwest Forest Plan was one of the first broad-scoped ecosystem-based plans to be developed and implemented by both the Department's Bureau of Land Management and the Department of Agriculture's Forest Service. The use of the ecosystem management approach to solve large-scale resource problems that crossed agency boundaries enabled the agencies to achieve their goals, even though they did not necessarily achieve the goals some participants or the public may have anticipated. However, the application of ecosystem management principles raise organizational alignment and control matters for Interior. Ecosystems plans and assessments are conducted within geographic areas that coincide with the nature of the issues to be addressed, for example, degradation of habitat for endangered species or limitations on resource use. This approach requires coordination among multiple landowners, including governmental and private entities, to manage across boundaries on a broad scale. In addition, this type of planning needs to focus

on the appropriate scale of the issues to be addressed. For example, the final Interior Columbia River Basin Plan was delayed because the planning effort included plant and animal species with limited ranges whose management requires site-specific information that cannot be provided at the scale of the basin. These issues would be better dealt with in more specific plans. Finally, a plan's results need to be detailed enough to provide the public and participants with an understanding of the implications of the plan. The Columbia River Basin plan has also been delayed because the agencies are drafting new land management alternatives in response to criticism by the public that they were unable to distinguish the outcomes of the alternatives presented in the original plan.

Increasing demands for goods and services on federal lands will mean that the Department will likely continue to experience conflicts and face resource deterioration problems, on both the large- and small-scale. As it attempts to protect and restore natural resources, the Department and its agencies will continue to apply and refine the concepts of ecosystem management for restoration of these resources. Yet, the laws and regulations that govern the land management agencies require, for the majority of the federal lands, multiple-use sustained yield of resources. Legislation to resolve conflicts in long-term planning and resource use that would make the priority of management to be sustainability of the ecosystem has been considered, but not passed. The Congress should continue to be active in this matter as it will be part of the ongoing debate over how best to manage federal lands, and the Department will need to be a continuing part of the effort.

Interior Faces Additional Challenges in Managing Its Expanding Land Base

The Department manages about 450 million acres of federal lands for many different purposes, and as part of its duties, oversees transactions to exchange, acquire, or dispose of lands in the federal land base. While sound management of such land transactions is not one of the Department's strategic or performance goals, we believe that they are difficult to manage. With new initiatives such as the Department's Lands Legacy Initiative and the Conservation and Restoration Act legislation proposed by Congress, prudent management of federal land transactions will become increasingly important.

Land Exchanges and Appraisals Have Not Always Ensured Value and Protected the Public Interest

The Department's lands include numerous parks, forests, grasslands, wetlands, and other natural areas, some of which are interspersed with state, local, or privately-owned lands. The National Park Service manages about 80 million acres of parks, historic sites, monuments, and preserves. The Bureau of Land Management manages 264 million acres of public lands and also manages subsurface minerals on 560 million acres, which includes lands managed by the Forest Service. The Fish and Wildlife Service has responsibility for 92 million acres of refuges and wetlands. To protect and preserve the health of our public lands and to improve efficiency and remove barriers to resource protection and management, the Department's agencies seek to consolidate federal lands, which can be done by acquiring, exchanging, or in some cases, receiving donated lands. Land exchanges involve trading federal lands for lands that are owned by corporations, individuals, or state and local governments who are willing to trade. Increasingly, land exchanges have been used to gain important lands because of limited funds for land acquisition. The agencies can also dispose of lands.

In the last few years, both Interior's Inspector General and GAO have determined that the land exchanges completed by the Department's Bureau of Land Management have not assured the equal value of the lands being exchanged or protected the public interest. In exchanging lands, federal agencies are required under the Federal Land Policy and Management Act of 1976 to determine that the estimated values of the lands being exchanged are approximately equal and that the exchange serves the public interest. Poor financial management and controls have prevented the Bureau, and the Department, from assuring the value of the lands being exchanged is equal. From 1995 through 1997, in several cases documented by the Inspector General and GAO, the Bureau of Land Management did not always appropriately value the land it exchanged because the appraisals used to determine the value of the land were not valid or were not completed in accordance with federal standards. For example, the Inspector General estimated that the value of about 5,000 acres of federal lands in four different exchanges was underestimated by as much as \$24 million. Further, in some cases, the Bureau could not demonstrate the need for the land it received. Finally, in some of its exchanges, the Bureau actually sold federal land, retained the cash in escrow accounts, and then used the funds to buy nonfederal lands. We found that the funds were not tracked in the agency's financial systems and determined that this practice was not allowed under the Bureau's exchange authority. The agency had a total of \$4.3 million in 20 such escrow accounts at the end of fiscal year 1999.

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In 1998, the Bureau formed a team to review proposed exchanges that are high-value or are considered to be controversial. The review team reported in November 1999 that it found a lack of documentation for public interest in some exchanges; misuse of escrow accounts under exchange authority; and inconsistent use and documentation of some specific exchange procedures. The team will continue to examine land exchanges. In addition, the Bureau has recommended changes to its internal guidance on land exchanges and increased training of its personnel. We support these changes, however, land exchanges are inherently difficult because the lands being exchanged have to be valued at the same amount and because estimates of market value are increasingly difficult when the properties being valued are unique or when the market is speculative. The Congress recognized these inherent difficulties when it passed the Southern Nevada Public Land Management Act in 1998 to facilitate sales of federal land in Nevada, one of the areas troubled by high land prices and speculation. Neither the Bureau's reforms nor the Southern Nevada legislation have been in place long enough to determine whether change will occur, and this matter needs continued attention from the Department.

Furthermore, the use of appraisals as a financial or internal control over the land exchange and acquisition process may be insufficient to assure that the federal interest is protected, particularly in cases where the property is a large, unique tract of land of significant national interest. The department has initiated a program, called the Lands Legacy Initiative, with the goal of saving nationally significant parks, refuges, and other public lands from encroaching development by purchasing surrounding tracts of land. However, in our review of one of the Bureau's acquisitions in 1998, and of two similar acquisitions by the Department of Agriculture's Forest Service in 1998 and 1999, we found that although the appraisal process was followed, the assumptions used in the appraisal increased the value of the property. Some problems with acquisition of lands by other agencies such as the Fish and Wildlife Service and the National Park Service indicate that proper management of land transactions is also a concern for other agencies in the Department. For example, in audits in the past year, the Inspector General found that the Fish and Wildlife Service might have overpaid for parcels it acquired because of problems with the appraisals of the land. The Inspector General also reported this year that the National Park Service did not ensure that just compensation was properly established before purchasing easements in some of its regions.

In the foreseeable future, the pressure of growth and development on lands adjacent to public lands will continue to increase, as will the pressure and cost to the Department of protecting and

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preserving these resources. A competitive approach to managing the acquisition and sale of federal lands such as put in place in Nevada may be better than the negotiated approach used in exchanges, but neither we nor the Department have formally reviewed the results of the Nevada program. The Congress will continue to be involved and interested in the matter of federal land acquisitions and exchanges, and recently passed the Federal Land Transaction Facilitation Act, which authorizes the Bureau (and the Forest Service) to sell particular lands and to use the proceeds to acquire other lands. The Department will need to ensure that its organization and processes are in place to both protect singular pieces of land and assure the public's financial interests at the same time.

Expanded Land Base Creates Budgetary Difficulties

As the Department acquires new lands through acquisition or exchange, it faces the additional challenge of finding funding for the increasing amount of operations and maintenance required for the lands and any facilities that will be on them. For fiscal year 2001, the Department requested \$1.9 billion in funds for the Lands Legacy Initiative to provide funds to federal and state governments for the purpose of protecting land and natural resources. The federal agencies will receive about \$800 million to acquire significant lands and the remainder of the funds will go to states to purchase lands they determine are needed. The Department is seeking to buy lands in the delta of the Sacramento River near San Francisco, in South Florida, and in the California desert. However, as the federal agencies acquire new lands, they incur additional costs for managing the resources on those lands. Such management includes doing resource surveys and management plans, identifying resource problems that will need to be treated, such as exotic species infestation, appropriate environmental impact statements to support management of the lands, and appropriate improvements to facilities on the lands. The Lands Legacy Initiative funds do not include an increase to cover the continued operations and maintenance costs that will be incurred to manage the additional lands.

The Department has not in some cases kept the Congress informed of the potential operations and maintenance needs for new lands. For example, we recently found that the Fish and Wildlife Service did not report estimated future operations and maintenance costs to the Congress when it established refuges, particularly when these refuges were created from donated lands. The Service is taking actions to improve its reporting within the next 3 to 4 years. As it moves forward with its program to acquire and protect significant land resources, the Department will

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be faced with the challenge of determining how to get additional funds to cover the increasing costs for managing these lands on a long-term basis which will affect the Department's budget requests and Congressional appropriations.

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